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PROSPECTS FOR RENEWED PEACE NEGOTIATIONS BETWEEN THE CHINESE COMMUNISTS AND THE KWANGSI CLIQUE

PRELIMINARY VERSION

OIR Report No. 5017(PV)

July 25, 1949

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SUMMARY

Two types of evidence suggest that the Chinese Communists may still be interested in concluding a negotiated peace with the faction of the National Government headed by "Acting" President Li Tsung-jen:

1. Former Kuomintang delegates to the unsuccessful Pei-p'ing peace talks who are now collaborating with the Communists have recently issued public statements and met privately with Li and his representatives, urging him to make peace.

2. The major Communist military attacks since the crossing of the Yangtze have been against the Nationalist forces loyal to Chiang K'ai-shek. Communist strategy with respect to Li's associate, Pai Chung-hsi, has been to force the gradual withdrawal of his forces into Kwangsi Province, the regional base of Li and Pai.

An appraisal of Li's present circumstances indicates that he might respond favorably to Communist peace overtures. Interference by "retired" President Chiang in the conduct of public affairs and Chiang's failure to relinquish control over government finances, the party organization, and major military forces have frustrated Li's efforts to organize effective resistance against the Communists.

The Communist terms are not known. The Communist Party may be offering Li Tsung-jen and Pai Chung-hsi a *modus vivendi* under which they will, for the time being, retain control of Kwangsi Province. On the other hand, they may be offering Pai a military command elsewhere and Li a position in a Communist government of China.

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SUMMARY

Two types of evidence suggest that the Chinese Communists may still be interested in concluding a negotiated peace with the faction of the National Government headed by "Acting" President Li Tsung-jen:

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The acceptance by Li of Communist terms would have repercussions on other regional leaders, such as Ma Pu-fang and Ma Hung-kuei, who are still resisting Communism. It would involve considerable problems for the Western powers, particularly should Li agree to the Communist terms while still "Acting" President, thus transforming the present internationally recognized government of China into a Communist-dominated one and giving the Communists a claim to legitimacy. It seems likely that Chiang K'ai-shek would try to reassume the presidency in the event of an agreement between Li and the Communists. The shaky united front that the Atlantic community has maintained with regard to diplomatic relations with China might not be able to survive the differences of legal interpretation regarding international recognition that would arise should the Communist Party and Li Tsung-jen try to block Chiang's reassumption of the presidency through impeachment proceedings and application of the constitutional provisions under which Chiang originally "retired."

PROSPECTS FOR RENEWED PEACE NEGOTIATIONS BETWEEN THE CHINESE COMMUNISTS AND THE KWANGSI CLIQUE

I. BACKGROUND

A. The Kwangsi Clique

The Kwangsi Clique, under the dual leadership of Li Tsung-jen and Pai Chung-hsi, has exercised a considerable degree of local autonomous control over Kwangsi Province during most of the period of Kuomintang rule in China. Although the Kwangsi militarists have supported Chiang K'ai-shek since the beginning of the Sino-Japanese war, the clique, on other occasions, had been in open rebellion against Chiang's forces. The provincial administration of the Kwangsi Clique has been paternalistic and relatively benevolent; the clique has acquired a reputation for "liberalism."

Li and Pai have been influential with a wide group of Chinese. Li Tsung-jen has never openly collaborated with the Chinese Communists and has repeatedly expressed his opposition to Communism. It is significant, however, that a number of the men who have been associated with the Kwangsi Clique in revolts against the Kuomintang and a number of the supporters of Li Tsung-jen's candidacy for vice-president in 1948 have become active Communist collaborators. Li's supporters in 1948 ranged from Li Chi-shen to Fu Tso-yi, and included such military leaders as Pai Chung-hsi,

Ho Ying-chin, Yen Hsi-shan, Chang Chih-chung, Ma Pu-fang, and Ma Hung-kuei. Pai Chung-hsi's position as a leading Chinese Moslem probably influenced the Ma's to support Li Tsung-jen. The close association of Li Chi-shen's "Kuomintang Revolutionary Committee" with the Chinese Communist Party prevented Marshal Li's support of Li Tsung-jen from becoming public although, before his break with the main body of the Kuomintang, he was one of the leaders of the Kwangsi Clique. Other former associates of Li Tsung-jen who became Communist collaborators include Feng Yu-hsiang, Fu Tso-yi, and Chang Chih-chung.

B. Constitutional Status of Li Tsung-jen

On January 21, 1949 President Chiang K'ai-shek "retired" and Li Tsung-jen became the "Acting" President in accordance with Article 49 of the Chinese Constitution, which reads: "When the President is unable for any cause to attend to his duties, the Vice-President shall exercise the powers of his office in his place."[1] Li Tsung-jen legally exercises all the powers of the office of the President; Chiang's interference in Li's government has been not as President but as party leader, or tsung ts'ai.

On the day of his retirement Chiang told General Barr, head of the American Advisory Group in China, that twice before he had retired and on each occasion he had been recalled by events and the Chinese people, and that he fully expected to be recalled this time. In April Chiang

1. T-195, Nanking, January 22, 1949, UNCLASSIFIED; A-28, Nanking, January 31, 1949, UNCLASSIFIED.

stated that he would resist pressure to return to office, except in the event that Li Tsung-jen "sells out to the Communists."[1] A similar statement was issued as recently as July 14, 1949.[2] Nevertheless, Chiang's retirement remains equivocal, severely limiting Li Tsung-jen's status as "Acting" President, since Chiang can legally reassume his duties as President at any time.[3]

C. Li Tsung-jen's Efforts to Assert His Authority

On April 21, 1949, Li Tsung-jen and Premier Ho Ying-chin announced that the Pei-p'ing peace negotiations had failed. Following the resumption of hostilities Li withdrew to his provincial capital of Kweilin, where he remained until May 8 in protest against Chiang K'ai-shek's continuous interference in administrative and military matters, particularly Chiang's blocking of Li's efforts to resist the Communist crossings of the Yangtze. Li demanded that Chiang either resume the presidency or permit him to continue with full authority and without intervention. In addition to gaining control over the army and over the government's funds, Li was anxious to gain control over Formosa by replacing Governor Ch'en Ch'eng, a follower of Chiang K'ai-shek, with someone whose loyalty Li could rely upon. Li planned to carry out governmental and military reforms, to remove incompetent and corrupt officials, particularly members

1. T-740, Nanking, April 10, 1949, SECRET.
2. New York Times, July 15, 1949, p. 11, col. 1.
3. T-193, Nanking, January 22, 1949, RESTRICTED.

of the CC Clique, which has consistently opposed Li, and to affect a revival of Kuomintang esprit that would impress the US and lead to further American aid for his government. Li repeatedly appealed for American moral and material support of his efforts.[1]

Li Tsung-jen's obstacles in these endeavors were prodigous. He could count with certainty on the loyalty of only one major military commander, Pai Chung-hsi. Other military and provincial leaders were either following the leadership of Chiang K'ai-shek or were pursuing independent courses with little regard for national interests. Although Chiang had sent a statement to Li promising him use of government funds, full support in exercising his constitutional powers, and freedom from party interference, Chiang had not agreed to withdraw completely or to leave China.[2] Members of the CC Clique and others politically opposed to Li Tsung-jen, including Chiang himself, have expressed mistrust of Li's avowed determination to fight Communism.[3] Chiang, although unwilling to reassume the presidency or the overt command of the military forces, is anxious to retain control over the party and to be ready to reassume his duties if necessary.

1. T-276, Canton, April 26, 1949, SECRET; T-288, Canton, April 27, 1949, SECRET; T-303, Canton, May 1, 1949, SECRET; T-360, Canton, May 11, 1949, SECRET; T-1026, Nanking, May 15, 1949, SECRET.
2. T-338, Canton, May 9, 1949, SECRET.
3. T-343, Canton, May 10, 1949, SECRET; T-457, Canton, May 23, 1949, SECRET; T-406, Canton, May 18, 1949, SECRET.

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D. Present Relations between Li and Chiang

Efforts are being continued to effect a reconciliation between Chiang and Li, neither of whom is ready to bring about a complete break. It is doubtful that these attempts can succeed. Li has reluctantly agreed to the formation of a "Supreme Policy Committee" of the Kuomintang with Chiang as chairman and Li as vice-chairman. It is questionable that the two parties will be able to agree even with the help of such a committee, which still leaves Li in a position second to that of Chiang K'ai-shek.[1]

Meanwhile, although Li has been promised control over government funds, Pai Chung-hsi is unable to obtain sufficient currency to pay his troops.[2] The foreign support Li had hoped for has not materialized. It is reported that Chiang initiated the Baguio talks without consulting Li, adding foreign policy to the growing list of subjects in dispute between Li and Chiang.[3]

The area over which the National Government exercises control is contracting rapidly. Sinkiang and Yünnan have declared their virtual autonomy, and other provinces are increasingly uncooperative. Each province, including Kwangtung, is setting up its own currency. Yünnan has refused to permit government troops to be sent within its borders, and

1. Chu Chang-wei, Li Tsung-jen's political adviser, is said to have stated apropos of this committee, "You can tell the Generalissimo he may think he can play the role of the Empress Dowager, but he can be sure Li will never be his Kuang Hsü." See T-303, Canton, May 1, 1949, SECRET; T-585, Canton, July 14, 1949, SECRET.
2. T-664, Canton, June 24, 1949, SECRET.
3. T-723, Canton, July 13, 1949, SECRET.

Kweichow will not admit retreating troops and refugees.[1]

The recent reports that Li Tsung-jen and Pai Chung-hsi may retire permanently to Kweilin or come to terms with the Communists must be examined against this background of the government's continuous frustration and ineffectiveness.

II. RECENT COMMUNIST PEACE MOVES

A. Policy of the Chinese Communist Party toward a Negotiated Peace

At the conversations in Pei-p'ing in April 1949, Yeh Chien-ying, a member of the Central Committee of the Chinese Communist Party, is reported to have stated that the Communist Party is favorably disposed to the Kwangsi leaders because of their previous record in improving the people's welfare in their province.[2] The Communists, according to Li Tsung-jen, offered Pai Chung-hsi command over more troops than he then possessed.[3]

When the peace negotiations failed, the Communist Party did not entirely close the door on renewal of peace talks. On a number of occasions the party has declared that it was willing to come to terms with Kuomintang officials who "differentiate clearly between right and wrong, earnestly repent, and really show it with deeds"[4] -- in other

1. T-877, Canton, July 1, 1949, CONFIDENTIAL.
2. T-287, Nanking, February 1, 1949, SECRET.
3. T-877, Canton, July 1, 1949, SECRET.
4. Mao's telegram to Fu Tso-yi, as quoted in FBIB, Daily Report, April 4, 1949, p. CCC-3.

words, who are willing to collaborate with the Communist Party. The orders issued to the People's Liberation Army by Mao Tse-tung and Chu Teh on April 21, 1949 specifically referred to the continued possibility of a negotiated peace on both the regional and national level:

> "[The Peoples Liberation Army is ordered to] ... announce the ... peace proposals to any Kuomintang local government or military group. If it is willing to cease fighting and to solve problems by peaceful methods, you can sign agreements of a local nature....
>
> "...When the People's Liberation Army surround Nanking, if the Nanking Li Tsung-jen Government has not absconded and it is willing to sign the peace agreement of China, we are willing to give that Government another chance to sign."[1]

There have been indications since the fall of Nanking that the policy of the Communist Party is still to seek negotiated agreements with Kuomintang leaders wherever possible and that the possibility of coming to terms with Li Tsung-jen and Pai Chung-hsi has not yet been ruled out by the Communist leadership, although there have been no direct statements to this effect from an official party source.

B. Recent Communist Overtures

Since the end of the Pei-p'ing peace negotiations a number of peace feelers have been unofficially extended to Li Tsung-jen by the Chinese Communist Party through the former Kuomintang delegates to the Pei-p'ing

1. FBIB, Daily Report, April 22, 1949, p. CCC-2.

peace talks who are now collaborating with the Communists.[1]

On June 1, 1949 the leftist newspaper Ta Kung Pao in Hongkong published a letter to Li Tsung-jen from Huang Shao-hsiung, a member of the Kwangsi Clique and a Kuomintang delegate to the Pei-p'ing talks, in which Huang urged Li to come to terms with the Communists:

> "Your appeal for peace has won nation-wide support. Unfortunately you have been prevented from realizing peace by the die-hards.... In my last letter to you, I advised you to remain in Kweilin, where you could insist on a peaceful settlement with the Communists. I was heavily disappointed when you left for Canton, and there allowed yourself to be surrounded by right-wing die-hards.... I hope, for your own sake as well as for the sake of peace that you will reconsider your present position and courageously take steps to mend the situation...."[2]

Huang's letter assumes added significance in view of the reports that Huang was the only member of the Kuomintang peace delegation to advocate full acceptance of the Communist terms and that he is now acting as unofficial liaison between the Communists and Li Tsung-jen.

On June 28, 1949 the Chinese Communist press and radio gave considerable emphasis to a statement by Chang Chih-chung denying reports that the peace mission was being detained in Pei-p'ing by force. The statement, which makes no specific reference to Li Tsung-jen, calls upon Chang Chih-chung's former Kuomintang comrades to "reform":

---

1. Shao Li-tzu and Chang Chih-chung are now in Pei-p'ing; Chang Shih-chao, Liu Fei, and Huang Shao-hsiung are in Hongkong; Li Cheng is probably in Shanghai.
2. D-155, Hongkong, June 2, 1949, UNCLASSIFIED.

"... Mistakes should be sincerely confessed and defeat admitted with courage...Hope that KMT comrades in the CEC and party organs various places will seriously look at reality and pull up at brink of the abyss with broadminded repentance and self-criticism.... Time is still not too late. The KMT has a final chance which must not be let slip through negligence... Situation has now developed to point where comrades everywhere should take lessons from past and have foresight for future.... Thorough reform of the KMT is already overdue...."[1]

An accompanying editorial said that Chang's statement "pointed out to patriotic elements within the Kuomintang their only way to a bright future," a way that had been pointed out by Generals "Fu Tso-yi, Li Tsung, Chang Chen, Wu Chi-wei, and Chang Chih-chung." (The editorial stressed that the opportunity for reform did not apply to the Kuomintang that had already been "discarded by the people" but to the group within the Kuomintang that is willing to "side with democracy.")[2]

The day following publication of Chang Chih-chung's statement, the Pei-p'ing Democratic League paper Kuang Ming Jih Pao published a letter from two members of the Kuomintang peace delegation, Shao Li-tzu and Chang Shih-chao, that was reportedly sent to Li after the failure of the peace talks. Chang Chih-chung reportedly concurs in the sentiments of the letter.[3] It is significant that the Democratic League, which follows the Communist Party line closely, considers it worthy of publication at this time. The letter read:

1. Quoted from the summary given in T-1092, Pei-p'ing, June 28, 1949, UNCLASSIFIED.
2. Ibid.
3. The Far Eastern Bulletin, Hongkong, Vol. II, No. 25, June 25, 1949.

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"... From your [Li's] statement issued at Canton apparently you still hold hopes for peace. Many have talked peace but supported war. ... In convoking Nanking conference dominated by war mongers you found it impossible to express your opinion and, therefore, had to stick to Chiang K'ai-shek's points. If you sought peace, as recently reiterated, you were unwise to adhere to Chiang K'ai-shek's ideas. You were untrustworthy in blaming delegation for collapsed peace negotiations which resulted from your failure to combine wisdom with loyalty .... It was you, Li, that CCP desired to talk peace with. Warmongers could either be brought to submission or led to capitulation but much depended on your efforts to achieve best results. You nevertheless got yourself deeply involved in whirlpool and were carried away by warmongers' current, this despite the circumstance that proponents of war were then scattered in Canton and Formosa and you were free to act. Second opportunity came when you, Li, removed to Kweilin after fall of Nanking. We again sent urgent telegrams to you urging that you make timely decision, it being hoped you would remove your office to Kweilin and continue to uphold the cause of peace. Under pressure and temptation of the proponents of war, however, you actually went to Canton and plunged into the muddy stream. .... Today it will be peace if you like or peace if you do not, for peace is the public demand and only way open to life for the people. The Chinese Communist Party have lost some but not all faith and hopes in you. There is still much you can do if you will. We remain. Peiping anxiously awaiting your word."[1]

During June, Li Tsung-jen was visited in Canton by Liu Fei, a former member of the Kuomintang peace delegation. It is not known whether Liu brought definite Communist proposals, but he is reported to have brought Li a letter from Shao Li-tzu and a Communist threat of the consequences of further resistance and to have urged Li to negotiate peace while still possible.[2] Additional negotiations are believed to have taken place in Hongkong between Chu Chang-wei, Li's political adviser,

1. Quoted from summary given in T-1005, Pei-p'ing, July 1, 1949, UNCLASSIFIED.
2. T-691, Canton, June 6, 1949, SECRET.

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and Huang Shao-hsiung. It is known that Chu and Hsung have had several conferences in Hongkong recently.[1]

There have been no reports of peace feelers to Pai Chung-hsi, other than the ones directed at Li Tsung-jen. There has been, however, a noticeable lack of direct major attacks by Communist forces on Pai's troops in Hupeh or Hunan. The Communist troops have advanced southward on Pai's flank, forcing Pai to withdraw toward Kwangsi or run the risk of being isolated from Kwangsi by a Communist drive westward from central Kiangsi. Renewal of Communist offensive action on July 18, 1949 appears calculated to force Pai to retreat further toward his Kwangsi base. It is possible that the Communists have refrained from making a major, direct attack on Pai while the possibility of a negotiated peace with Li and Pai continues to exist. Meanwhile, the effect of the Communist drive through Kiangsu, Chekiang, and Fukien has been to reduce the military power of the right-wing faction led by Chiang K'ai-shek.

III. FACTORS INFLUENCING LI TSUNG-JEN AND PAI CHUNG-HSI

A. Attitude of Chiang K'ai-shek

The inability of Li's government to organize effective resistance against the Communists is due to a complex of many factors, all of which are compounded by Chiang K'ai-shek's continuing interference in Li's

1. T-677, Canton, July 1, 1949, SECRET.

government and by the mistrust and uncooperativeness of several Kuomintang cliques, particularly the CC Clique. When Canton falls, the government is likely to split, with the majority going to T'ai-pei and a smaller group to Chungking. Even if Chiang does not reassume the presidency at this time, Li Tsung-jen will have lost most of the limited authority he now has as "Acting" President. That Chiang may be planning to reassume the presidency if Li should retire or come to terms with the Communists, or after the fall of Canton, seems to be indicated by recent developments. Chiang's unwillingness to surrender his power over the part of the army that still follows his leadership was again demonstrated by the appointment of Ch'en Ch'eng as commander of a new Southeast Military and Political Headquarters. Chiang's insistance on retaining control over the party was reaffirmed by the formation of the Kuomintang "Supreme Policy Committee" now meeting in Canton under the chairmanship of Chiang K'ai-shek. The Baguio talks with President Quirino may be interpreted as a bid by Chiang for foreign support. Chiang's attitude may do much to influence Li and Pai to consider the Communist overtures favorably.

B. Hope of American Support

Li Tsung-jen and Pai Chung-hsi have made several bids for American moral and material support. Although Li and Pai have repeatedly affirmed their determination to continue resistance against the Communists, if need be, from their base in Kwangsi, it has been reported that Li is

postponing consideration of the recent Communist overtures until he receives a report from Kan Chieh-hou, who is in the United States as Li's personal emissary.[1] Pai has expressed his anxiousness to maintain contact with the United States through military attachés even though diplomatic contact between the US and Li Tsung-jen should cease.[2] Li and Pai are apparently hoping for American support of their present efforts to lead Nationalist China's fight against the Communists, and, if these efforts should fail, for American support of their fight to retain their regional base in Kwangsi. Failing to get effective American aid, Li and Pai may be led to the conclusion that their last chance of retaining power in Kwangsi is to come to terms with the Communists. Even if Li and Pai should get assurances of American support, it is questionable how decisive such aid would be in improving their position; it is likely that American help could at most enable Li and Pai to resist the Communist overtures or a Communist attack somewhat longer than would otherwise be the case.

C. The Alternatives Facing Li and Pai

It now seems almost certain that Canton cannot hold out against the Communist advance very much longer. When the government is finally forced to evacuate from Canton the practical alternatives facing Li Tsung-jen seem to be either to continue as "Acting" President in Chungking or to

1. DX-25374, June 27, 1949, SECRET.
2. T-631, Canton, June 22, 1949, SECRET; and T-594, to Canton, June 28, 1949, SECRET.

withdraw with Pai Chung-hsi's troops to the regional base in Kwangsi. If Chiang should reassume the presidency, perhaps in T'ai-pei, Li would have little choice but to retire to Kweilin. Since Li Tsung-jen and Pai Chung-hsi can expect no decisive aid from foreign powers, from Chiang, or from other regional militarists, they may feel that their only chance of retaining power is to come to terms with the Communists, either on a regional basis or as members of or collaborators in a Chinese Communist government.

IV. FACTORS INFLUENCING THE CHINESE COMMUNISTS

A. Desire for Peace

Since the Chinese Communists are presumably in a position to effect a military unification of most of China within the near future, the principal advantages of coming to terms with Li and Pai would be the demonstration of the peaceful intent of the Chinese Communist Party and the elimination without battle of Pai's 150,000 troops, with a considerable saving in manpower, resources, and time.

B. Influence of the Kwangsi Clique

The manner in which the Communist propaganda has been exploiting the other Kuomintang leaders who have decided to collaborate with Communism indicates that an important consideration in the Communists' apparent desire to reach a negotiated peace with Li and Pai may be the effect of such a peace on other Kuomintang leaders who are still resisting Communism. The

influence of Pai Chung-hsi among Chinese Moslems, including Ma Hung-kuei and Ma Pu-fang, is considerable, and Li Tsung-jen has a following among Chinese non-Communist liberals, many of whom the Communists need as administrators and technicians.

C. Advantages of Regional Peace Settlements

There has been no indication of the nature of the reported Communist offers to Li Tsung-jen and Pai Chung-hsi. There would be certain advantages in a regional settlement that would leave Li and Pai in control of a part of the southeast but would give them no influence in the Communist government outside that area. The Communists would be spared the responsibility of having to deal at this time with the region assigned to Li. With the rest of China under Communist control, it would not be difficult to exert sufficient influence over the area to insure its coordination and eventual integration into the rest of Communist China. Such a settlement might be a convenient precedent for dealing with other difficult areas, particularly in the west and northwest.

On the other hand, a settlement with Li and Pai that would leave them little control in Kwangsi, while far less acceptable from the viewpoint of Li and Pai, has certain advantages for the Chinese Communist Party. The reported offer to Pai of a larger military command seems to imply that he would be shifted from Kwangsi by the Communists. Li might be given a nominal position in the Chinese Communist government, possibly that of

vice-president or vice-chairman. Such a course would go far toward eliminating the power of Li and Pai and at the same time give a graphic illustration of the Communist concept of "coalition," useful for propaganda and political purposes.

D. Possibility of Claim to Legitimacy

If Li Tsung-jen should reach an accord with the Chinese Communists while he is still "Acting" President, the resulting Communist government might claim to be the legitimate government of China, with the Political Consultative Conference acting merely to amend the present constitution. However, recent Communist statements have indicated no pressing Communist desire for immediate recognition as the legitimate government of China, and indications are that the Chinese Communist Party will probably be willing to postpone recognition until after the Political Consultative Conference has organized a formal Communist-controlled government. Nevertheless, the possibility exists that Li Tsung-jen may accept the Communist terms while still "Acting" President, thus transforming the present internationally recognized government of China into a Communist-dominated one. A subsequent attempt by Chiang K'ai-shek to reclaim the presidency could be "legally" blocked by the Communists through resort to the very constitutional provision under which Chiang originally retired and through impeachment by the Control Yuan under Article 100 of the constitution.

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V. CONCLUSION

The present prospects are that the differences between Li and Chiang will not be ironed out at the meetings now taking place in Canton, but that sooner or later there will be a break between Li and Chiang and Li will retire to Kweilin. At that time Li and Pai may consider the Communist overtures preferable to hopeless resistance. It is possible that Chiang will try to reassume the presidency in such an event, but it is unlikely that he will be able to exert much authority, except possibly in Formosa, particularly since his legal position would be ambiguous and since the acceptance by Li and Pai of Communist terms might lead to other regional peace arrangements.

The problems faced by the Western powers in China would be complicated by an agreement between Li Tsung-jen and the Communists, particularly if the Communists should make a claim to legitimacy. The shaky united front that the Atlantic community has maintained with regard to diplomatic relations with China might not be able to survive the differences of legal interpretation that would arise should the Communists and Li Tsung-jen seriously dispute a subsequent claim by Chiang K'ai-shek to the presidency.

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The acceptance by Li of Communist terms would have repercussions on other regional leaders, such as Ma Pu-fang and Ma Hung-kuei, who are still resisting Communism. It would involve considerable problems for the Western powers, particularly should Li agree to the Communist terms while still "Acting" President, thus transforming the present internationally recognized government of China into a Communist-dominated one and giving the Communists a claim to legitimacy. It seems likely that Chiang K'ai-shek would try to reassume the presidency in the event of an agreement between Li and the Communists. The shaky united front that the Atlantic community has maintained with regard to diplomatic relations with China might not be able to survive the differences of legal interpretation regarding international recognition that would arise should the Communist Party and Li Tsung-jen try to block Chiang's reassumption of the presidency through impeachment proceedings and application of the constitutional provisions under which Chiang originally "retired."

PROSPECTS FOR RENEWED PEACE NEGOTIATIONS BETWEEN THE CHINESE COMMUNISTS AND THE KWANGSI CLIQUE

I. BACKGROUND

A. The Kwangsi Clique

The Kwangsi Clique, under the dual leadership of Li Tsung-jen and Pai Chung-hsi, has exercised a considerable degree of local autonomous control over Kwangsi Province during most of the period of Kuomintang rule in China. Although the Kwangsi militarists have supported Chiang K'ai-shek since the beginning of the Sino-Japanese war, the clique, on other occasions, had been in open rebellion against Chiang's forces. The provincial administration of the Kwangsi Clique has been paternalistic and relatively benevolent; the clique has acquired a reputation for "liberalism."

Li and Pai have been influential with a wide group of Chinese. Li Tsung-jen has never openly collaborated with the Chinese Communists and has repeatedly expressed his opposition to Communism. It is significant, however, that a number of the men who have been associated with the Kwangsi Clique in revolts against the Kuomintang and a number of the supporters of Li Tsung-jen's candidacy for vice-president in 1948 have become active Communist collaborators. Li's supporters in 1948 ranged from Li Chi-shen to Fu Tso-yi, and included such military leaders as Pai Chung-hsi,

Ho Ying-chin, Yen Hsi-shan, Chang Chih-chung, Ma Pu-fang, and Ma Hung-kuei. Pai Chung-hsi's position as a leading Chinese Moslem probably influenced the Ma's to support Li Tsung-jen. The close association of Li Chi-shen's "Kuomintang Revolutionary Committee" with the Chinese Communist Party prevented Marshal Li's support of Li Tsung-jen from becoming public although, before his break with the main body of the Kuomintang, he was one of the leaders of the Kwangsi Clique. Other former associates of Li Tsung-jen who became Communist collaborators include Feng Yu-hsiang, Fu Tso-yi, and Chang Chih-chung.

B. Constitutional Status of Li Tsung-jen

On January 21, 1949 President Chiang K'ai-shek "retired" and Li Tsung-jen became the "Acting" President in accordance with Article 49 of the Chinese Constitution, which reads: "When the President is unable for any cause to attend to his duties, the Vice-President shall exercise the powers of his office in his place."[1] Li Tsung-jen legally exercises all the powers of the office of the President; Chiang's interference in Li's government has been not as President but as party leader, or tsung ts'ai.

On the day of his retirement Chiang told General Barr, head of the American Advisory Group in China, that twice before he had retired and on each occasion he had been recalled by events and the Chinese people, and that he fully expected to be recalled this time. In April Chiang

1. T-195, Nanking, January 22, 1949, UNCLASSIFIED; A-28, Nanking, January 31, 1949, UNCLASSIFIED.

stated that he would resist pressure to return to office, except in the event that Li Tsung-jen "sells out to the Communists."[1] A similar statement was issued as recently as July 14, 1949.[2] Nevertheless, Chiang's retirement remains equivocal, severely limiting Li Tsung-jen's status as "Acting" President, since Chiang can legally reassume his duties as President at any time.[3]

C. Li Tsung-jen's Efforts to Assert His Authority

On April 21, 1949, Li Tsung-jen and Premier Ho Ying-chin announced that the Pei-p'ing peace negotiations had failed. Following the resumption of hostilities Li withdrew to his provincial capital of Kweilin, where he remained until May 8 in protest against Chiang K'ai-shek's continuous interference in administrative and military matters, particularly Chiang's blocking of Li's efforts to resist the Communist crossings of the Yangtze. Li demanded that Chiang either resume the presidency or permit him to continue with full authority and without intervention. In addition to gaining control over the army and over the government's funds, Li was anxious to gain control over Formosa by replacing Governor Ch'en Ch'eng, a follower of Chiang K'ai-shek, with someone whose loyalty Li could rely upon. Li planned to carry out governmental and military reforms, to remove incompetent and corrupt officials, particularly members

1. T-740, Nanking, April 10, 1949, SECRET.
2. New York Times, July 15, 1949, p. 11, col. 1.
3. T-193, Nanking, January 22, 1949, RESTRICTED.

of the CC Clique, which has consistently opposed Li, and to affect a revival of Kuomintang esprit that would impress the US and lead to further American aid for his government. Li repeatedly appealed for American moral and material support of his efforts.[1]

Li Tsung-jen's obstacles in these endeavors were prodigous. He could count with certainty on the loyalty of only one major military commander, Pai Chung-hsi. Other military and provincial leaders were either following the leadership of Chiang K'ai-shek or were pursuing independent courses with little regard for national interests. Although Chiang had sent a statement to Li promising him use of government funds, full support in exercising his constitutional powers, and freedom from party interference, Chiang had not agreed to withdraw completely or to leave China.[2] Members of the CC Clique and others politically opposed to Li Tsung-jen, including Chiang himself, have expressed mistrust of Li's avowed determination to fight Communism.[3] Chiang, although unwilling to reassume the presidency or the overt command of the military forces, is anxious to retain control over the party and to be ready to reassume his duties if necessary.

1. T-276, Canton, April 26, 1949, SECRET; T-288, Canton, April 27, 1949, SECRET; T-303, Canton, May 1, 1949, SECRET; T-360, Canton, May 11, 1949, SECRET; T-1026, Nanking, May 15, 1949, SECRET.
2. T-338, Canton, May 9, 1949, SECRET.
3. T-343, Canton, May 10, 1949, SECRET; T-457, Canton, May 23, 1949, SECRET; T-406, Canton, May 18, 1949, SECRET.

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D. Present Relations between Li and Chiang

Efforts are being continued to effect a reconciliation between Chiang and Li, neither of whom is ready to bring about a complete break. It is doubtful that these attempts can succeed. Li has reluctantly agreed to the formation of a "Supreme Policy Committee" of the Kuomintang with Chiang as chairman and Li as vice-chairman. It is questionable that the two parties will be able to agree even with the help of such a committee, which still leaves Li in a position second to that of Chiang K'ai-shek.[1]

Meanwhile, although Li has been promised control over government funds, Pai Chung-hsi is unable to obtain sufficient currency to pay his troops.[2] The foreign support Li had hoped for has not materialized. It is reported that Chiang initiated the Baguio talks without consulting Li, adding foreign policy to the growing list of subjects in dispute between Li and Chiang.[3]

The area over which the National Government exercises control is contracting rapidly. Sinkiang and Yünnan have declared their virtual autonomy, and other provinces are increasingly uncooperative. Each province, including Kwangtung, is setting up its own currency. Yünnan has refused to permit government troops to be sent within its borders, and

1. Chu Chang-wei, Li Tsung-jen's political adviser, is said to have stated apropos of this committee, "You can tell the Generalissimo he may think he can play the role of the Empress Dowager, but he can be sure Li will never be his Kuang Hsü." See T-303, Canton, May 1, 1949, SECRET; T-585, Canton, July 14, 1949, SECRET.
2. T-664, Canton, June 24, 1949, SECRET.
3. T-723, Canton, July 13, 1949, SECRET.

Kweichow will not admit retreating troops and refugees.[1]

The recent reports that Li Tsung-jen and Pai Chung-hsi may retire permanently to Kweilin or come to terms with the Communists must be examined against this background of the government's continuous frustration and ineffectiveness.

II. RECENT COMMUNIST PEACE MOVES

A. Policy of the Chinese Communist Party toward a Negotiated Peace

At the conversations in Pei-p'ing in April 1949, Yeh Chien-ying, a member of the Central Committee of the Chinese Communist Party, is reported to have stated that the Communist Party is favorably disposed to the Kwangsi leaders because of their previous record in improving the people's welfare in their province.[2] The Communists, according to Li Tsung-jen, offered Pai Chung-hsi command over more troops than he then possessed.[3]

When the peace negotiations failed, the Communist Party did not entirely close the door on renewal of peace talks. On a number of occasions the party has declared that it was willing to come to terms with Kuomintang officials who "differentiate clearly between right and wrong, earnestly repent, and really show it with deeds"[4] -- in other

1. T-677, Canton, July 1, 1949, CONFIDENTIAL.
2. T-287, Nanking, February 1, 1949, SECRET.
3. T-677, Canton, July 1, 1949, SECRET.
4. Mao's telegram to Fu Tso-yi, as quoted in FBIB, Daily Report, April 4, 1949, p. CCC-3.

words, who are willing to collaborate with the Communist Party. The orders issued to the People's Liberation Army by Mao Tse-tung and Chu Teh on April 21, 1949 specifically referred to the continued possibility of a negotiated peace on both the regional and national level:

> "[The Peoples Liberation Army is ordered to] ... Announce the ... peace proposals to any Kuomintang local government or military group. If it is willing to cease fighting and to solve problems by peaceful methods, you can sign agreements of a local nature....
>
> "...When the People's Liberation Army surround Nanking, if the Nanking Li Tsung-jen Government has not absconded and it is willing to sign the peace agreement of China, we are willing to give that Government another chance to sign."[1]

There have been indications since the fall of Nanking that the policy of the Communist Party is still to seek negotiated agreements with Kuomintang leaders wherever possible and that the possibility of coming to terms with Li Tsung-jen and Pai Chung-hsi has not yet been ruled out by the Communist leadership, although there have been no direct statements to this effect from an official party source.

B. Recent Communist Overtures

Since the end of the Pei-p'ing peace negotiations a number of peace feelers have been unofficially extended to Li Tsung-jen by the Chinese Communist Party through the former Kuomintang delegates to the Pei-p'ing

1. FBIB, Daily Report, April 22, 1949, p. CCC-2.

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peace talks who are now collaborating with the Communists.[1]

On June 1, 1949 the leftist newspaper Ta Kung Pao in Hongkong published a letter to Li Tsung-jen from Huang Shao-hsiung, a member of the Kwangsi Clique and a Kuomintang delegate to the Pei-p'ing talks, in which Huang urged Li to come to terms with the Communists:

> "Your appeal for peace has won nation-wide support. Unfortunately you have been prevented from realizing peace by the die-hards.... In my last letter to you, I advised you to remain in Kweilin, where you could insist on a peaceful settlement with the Communists. I was heavily disappointed when you left for Canton, and there allowed yourself to be surrounded by right-wing die-hards.... I hope, for your own sake as well as for the sake of peace that you will reconsider your present position and courageously take steps to mend the situation...."[2]

Huang's letter assumes added significance in view of the reports that Huang was the only member of the Kuomintang peace delegation to advocate full acceptance of the Communist terms and that he is now acting as unofficial liaison between the Communists and Li Tsung-jen.

On June 28, 1949 the Chinese Communist press and radio gave considerable emphasis to a statement by Chang Chih-chung denying reports that the peace mission was being detained in Pei-p'ing by force. The statement, which makes no specific reference to Li Tsung-jen, calls upon Chang Chih-chung's former Kuomintang comrades to "reform":

1. Shao Li-tzu and Chang Chih-chung are now in Pei-p'ing; Chang Shih-chao, Liu Fei, and Huang Shao-hsiung are in Hongkong; Li Cheng is probably in Shanghai.
2. D-155, Hongkong, June 2, 1949, UNCLASSIFIED.

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"... Mistakes should be sincerely confessed and defeat admitted with courage...Hope that KMT comrades in the CEC and party organs various places will seriously look at reality and pull up at brink of the abyss with broadminded repentance and self-criticism.... Time is still not too late. The KMT has a final chance which must not be let slip through negligence... Situation has now developed to point where comrades everywhere should take lessons from past and have foresight for future.... Thorough reform of the KMT is already overdue...."[1]

An accompanying editorial said that Chang's statement "pointed out to patriotic elements within the Kuomintang their only way to a bright future," a way that had been pointed out by Generals "Fu Tso-yi, Li Tsung, Chang Chen, Wu Chi-wei, and Chang Chih-chung." (The editorial stressed that the opportunity for reform did not apply to the Kuomintang that had already been "discarded by the people" but to the group within the Kuomintang that is willing to "side with democracy.")[2]

The day following publication of Chang Chih-chung's statement, the Pei-p'ing Democratic League paper Kuang Ming Jih Pao published a letter from two members of the Kuomintang peace delegation, Shao Li-tzu and Chang Shih-chao, that was reportedly sent to Li after the failure of the peace talks. Chang Chih-chung reportedly concurs in the sentiments of the letter.[3] It is significant that the Democratic League, which follows the Communist Party line closely, considers it worthy of publication at this time. The letter read:

1. Quoted from the summary given in T-1092, Pei-p'ing, June 28, 1949, UNCLASSIFIED.
2. Ibid.
3. The Far Eastern Bulletin, Hongkong, Vol. II, No. 25, June 25, 1949.

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"... From your [Li's] statement issued at Canton apparently you still hold hopes for peace. Many have talked peace but supported war. ... In convoking Nanking conference dominated by war mongers you found it impossible to express your opinion and, therefore, had to stick to Chiang K'ai-shek's points. If you sought peace, as recently reiterated, you were unwise to adhere to Chiang K'ai-shek's ideas. You were untrustworthy in blaming delegation for collapsed peace negotiations which resulted from your failure to combine wisdom with loyalty .... It was you, Li, that CCP desired to talk peace with. Warmongers could either be brought to submission or led to capitulation but much depended on your efforts to achieve best results. You nevertheless got yourself deeply involved in whirlpool and were carried away by warmongers' current, this despite the circumstance that proponents of war were then scattered in Canton and Formosa and you were free to act. Second opportunity came when you, Li, removed to Kweilin after fall of Nanking. We again sent urgent telegrams to you urging that you make timely decision, it being hoped you would remove your office to Kweilin and continue to uphold the cause of peace. Under pressure and temptation of the proponents of war, however, you actually went to Canton and plunged into the muddy stream. .... Today it will be peace if you like or peace if you do not, for peace is the public demand and only way open to life for the people. The Chinese Communist Party have lost some but not all faith and hopes in you. There is still much you can do if you will. We remain. Peiping anxiously awaiting your word."[1]

During June, Li Tsung-jen was visited in Canton by Liu Pei, a former member of the Kuomintang peace delegation. It is not known whether Liu brought definite Communist proposals, but he is reported to have brought Li a letter from Shao Li-tzu and a Communist threat of the consequences of further resistance and to have urged Li to negotiate peace while still possible.[2] Additional negotiations are believed to have taken place in Hongkong between Chu Chang-wei, Li's political adviser,

1. Quoted from summary given in T-1003, Pei-p'ing, July 1, 1949, UNCLASSIFIED.
2. T-691, Canton, June 6, 1949, SECRET.

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and Huang Shao-hsiung. It is known that Chu and Huang have had several conferences in Hongkong recently.[1]

There have been no reports of peace feelers to Pai Chung-hsi, other than the ones directed at Li Tsung-jen. There has been, however, a noticeable lack of direct major attacks by Communist forces on Pai's troops in Hupeh or Hunan. The Communist troops have advanced southward on Pai's flank, forcing Pai to withdraw toward Kwangsi or run the risk of being isolated from Kwangsi by a Communist drive westward from central Kiangsi. Renewal of Communist offensive action on July 18, 1949 appears calculated to force Pai to retreat further toward his Kwangsi base. It is possible that the Communists have refrained from making a major, direct attack on Pai while the possibility of a negotiated peace with Li and Pai continues to exist. Meanwhile, the effect of the Communist drive through Kiangsu, Chekiang, and Fukien has been to reduce the military power of the right-wing faction led by Chiang K'ai-shek.

III. FACTORS INFLUENCING LI TSUNG-JEN AND PAI CHUNG-HSI

A. Attitude of Chiang K'ai-shek

The inability of Li's government to organize effective resistance against the Communists is due to a complex of many factors, all of which are compounded by Chiang K'ai-shek's continuing interference in Li's

1. T-677, Canton, July 1, 1949, SECRET.

government and by the mistrust and uncooperativeness of several Kuomintang cliques, particularly the CC Clique. When Canton falls, the government is likely to split, with the majority going to T'ai-pei and a smaller group to Chungking. Even if Chiang does not reassume the presidency at this time, Li Tsung-jen will have lost most of the limited authority he now has as "Acting" President. That Chiang may be planning to reassume the presidency if Li should retire or come to terms with the Communists, or after the fall of Canton, seems to be indicated by recent developments. Chiang's unwillingness to surrender his power over the part of the army that still follows his leadership was again demonstrated by the appointment of Ch'en Ch'eng as commander of a new Southeast Military and Political Headquarters. Chiang's insistance on retaining control over the party was reaffirmed by the formation of the Kuomintang "Supreme Policy Committee" now meeting in Canton under the chairmanship of Chiang K'ai-shek. The Baguio talks with President Quirino may be interpreted as a bid by Chiang for foreign support. Chiang's attitude may do much to influence Li and Pai to consider the Communist overtures favorably.

B. Hope of American Support

Li Tsung-jen and Pai Chung-hsi have made several bids for American moral and material support. Although Li and Pai have repeatedly affirmed their determination to continue resistance against the Communists, if need be, from their base in Kwangsi, it has been reported that Li is

postponing consideration of the recent Communist overtures until he receives a report from Kan Chieh-hou, who is in the United States as Li's personal emissary.[1] Pai has expressed his anxiousness to maintain contact with the United States through military attaches even though diplomatic contact between the US and Li Tsung-jen should cease.[2] Li and Pai are apparently hoping for American support of their present efforts to lead Nationalist China's fight against the Communists, and, if these efforts should fail, for American support of their fight to retain their regional base in Kwangsi. Failing to get effective American aid, Li and Pai may be led to the conclusion that their last chance of retaining power in Kwangsi is to come to terms with the Communists. Even if Li and Pai should get assurances of American support, it is questionable how decisive such aid would be in improving their position; it is likely that American help could at most enable Li and Pai to resist the Communist overtures or a Communist attack somewhat longer than would otherwise be the case.

C. The Alternatives Facing Li and Pai

It now seems almost certain that Canton cannot hold out against the Communist advance very much longer. When the government is finally forced to evacuate from Canton the practical alternatives facing Li Tsung-jen seem to be either to continue as "Acting" President in Chungking or to

1. DX-25374, June 27, 1949, SECRET.
2. T-631, Canton, June 22, 1949, SECRET; and T-394, to Canton, June 28, 1949, SECRET.

withdraw with Pai Chung-hsi's troops to the regional base in Kwangsi. If Chiang should reassume the presidency, perhaps in T'ai-pei, Li would have little choice but to retire to Kweilin. Since Li Tsung-jen and Pai Chung-hsi can expect no decisive aid from foreign powers, from Chiang, or from other regional militarists, they may feel that their only chance of retaining power is to come to terms with the Communists, either on a regional basis or as members of or collaborators in a Chinese Communist government.

IV. FACTORS INFLUENCING THE CHINESE COMMUNISTS

A. Desire for Peace

Since the Chinese Communists are presumably in a position to effect a military unification of most of China within the near future, the principal advantages of coming to terms with Li and Pai would be the demonstration of the peaceful intent of the Chinese Communist Party and the elimination without battle of Pai's 150,000 troops, with a considerable saving in manpower, resources, and time.

B. Influence of the Kwangsi Clique

The manner in which the Communist propaganda has been exploiting the other Kuomintang leaders who have decided to collaborate with Communism indicates that an important consideration in the Communists' apparent desire to reach a negotiated peace with Li and Pai may be the effect of such a peace on other Kuomintang leaders who are still resisting Communism. The

influence of Pai Chung-hsi among Chinese Moslems, including Ma Hung-kuei and Ma Pu-fang, is considerable, and Li Tsung-jen has a following among Chinese non-Communist liberals, many of whom the Communists need as administrators and technicians.

C. Advantages of Regional Peace Settlements

There has been no indication of the nature of the reported Communist offers to Li Tsung-jen and Pai Chung-hsi. There would be certain advantages in a regional settlement that would leave Li and Pai in control of a part of the southeast but would give them no influence in the Communist government outside that area. The Communists would be spared the responsibility of having to deal at this time with the region assigned to Li. With the rest of China under Communist control, it would not be difficult to exert sufficient influence over the area to insure its coordination and eventual integration into the rest of Communist China. Such a settlement might be a convenient precedent for dealing with other difficult areas, particularly in the west and northwest.

On the other hand, a settlement with Li and Pai that would leave them little control in Kwangsi, while far less acceptable from the viewpoint of Li and Pai, has certain advantages for the Chinese Communist Party. The reported offer to Pai of a larger military command seems to imply that he would be shifted from Kwangsi by the Communists. Li might be given a nominal position in the Chinese Communist government, possibly that of

vice-president or vice-chairman. Such a course would go far toward eliminating the power of Li and Pai and at the same time give a graphic illustration of the Communist concept of "coalition," useful for propaganda and political purposes.

D. Possibility of Claim to Legitimacy

If Li Tsung-jen should reach an accord with the Chinese Communists while he is still "Acting" President, the resulting Communist government might claim to be the legitimate government of China, with the Political Consultative Conference acting merely to amend the present constitution. However, recent Communist statements have indicated no pressing Communist desire for immediate recognition as the legitimate government of China, and indications are that the Chinese Communist Party will probably be willing to postpone recognition until after the Political Consultative Conference has organized a formal Communist-controlled government. Nevertheless, the possibility exists that Li Tsung-jen may accept the Communist terms while still "Acting" President, thus transforming the present internationally recognized government of China into a Communist-dominated one. A subsequent attempt by Chiang K'ai-shek to reclaim the presidency could be "legally" blocked by the Communists through resort to the very constitutional provision under which Chiang originally retired and through impeachment by the Control Yuan under Article 100 of the constitution.

V. CONCLUSION

The present prospects are that the differences between Li and Chiang will not be ironed out at the meetings now taking place in Canton, but that sooner or later there will be a break between Li and Chiang and Li will retire to Kweilin. At that time Li and Pai may consider the Communist overtures preferable to hopeless resistance. It is possible that Chiang will try to reassume the presidency in such an event, but it is unlikely that he will be able to exert much authority, except possibly in Formosa, particularly since his legal position would be ambiguous and since the acceptance by Li and Pai of Communist terms might lead to other regional peace arrangements.

The problems faced by the Western powers in China would be complicated by an agreement between Li Tsung-jen and the Communists, particularly if the Communists should make a claim to legitimacy. The shaky united front that the Atlantic community has maintained with regard to diplomatic relations with China might not be able to survive the differences of legal interpretation that would arise should the Communists and Li Tsung-jen seriously dispute a subsequent claim by Chiang K'ai-shek to the presidency.